



STATE OF MICHIGAN

RICK SNYDER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

NICK LYON
DIRECTOR

July 7, 2017

Sally Reames, Executive Director
Community Healing Centers
2615 Stadium Drive
Kalamazoo, MI 49008

Dear Ms. Reames:

Enclosed is our final report from the Michigan Department of Health and Human Services on-site audit of the Community Healing Centers VOCA Program for the period October 1, 2015 through September 30, 2016.

The final report contains the following: Description of Agency; Funding Methodology; Purpose and Objectives; Scope and Methodology; Conclusions, Findings and Recommendations; Statement of Grant Program Revenues and Expenditures; Corrective Action Plan; and Comments and Recommendations. The Conclusions, Findings, and Recommendations are organized by audit objective. The Corrective Action Plan and Comments and Recommendations include the agency's paraphrased response to the Preliminary Analysis, and the Bureau of Audit, Reimbursement, and Quality Assurance's response to those comments where necessary.

Further action is needed with respect to policies and procedures as noted in the Comments and Recommendations. Please ensure the approved policies and procedures are available for review during our next monitoring visit.

Thank you for the cooperation extended throughout this audit.

Sincerely,

Shannah Havens, CPA, CISA
Audit Manager
Population Health and Community Services Section
Bureau of Audit, Reimbursement and Quality Assurance

Enclosure

cc: Pam Myers, Director, Bureau of Audit, Reimbursement and Quality Assurance
Deb Hallenbeck, Director, Audit Division
James McCurtis Jr., Director, Crime Victim Services Commission
Leslie O'Reilly, VOCA Program Specialist, Crime Victim Services Commission
Robert Haske, Auditor, Bureau of Audit, Reimbursement and Quality Assurance
Mike Pioch, Chief Operating Officer, Community Healing Centers

Audit Report

Community Healing Centers Victims of Crime Act Victim Assistance Program

October 1, 2015 – September 30, 2016



Bureau of Audit, Reimbursement, and Quality Assurance
Audit Division
July 2017

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DESCRIPTION OF AGENCY

Community Healing Centers is a non-profit agency under the provisions of Section 501(c)(3) of the Internal Revenue Code and their office is located in Kalamazoo, Michigan. Community Healing Centers operates under the legal supervision and control of its Board of Directors which consists of 7 members. The services provided by Community Healing Centers include group treatment/support and counseling for the victims of child abuse and adults molested as children for the residents of Kalamazoo County.

FUNDING METHODOLOGY

The Community Healing Centers Victim Assistance Program is funded from local funds and a grant program from the Michigan Department of Health and Human Services (MDHHS). MDHHS provided the Community Healing Centers with monthly grant funding based on Financial Status Reports in accordance with the terms and conditions of the grant agreement and budget. The Victims of Crime Act (VOCA) Program was funded by Federal funding under Federal catalog number 16.575.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess Community Healing Centers' financial reporting and to determine the MDHHS share of VOCA Program costs according to the applicable program regulations. The following were the specific objectives of the audit:

1. To assess Community Healing Centers' effectiveness and accuracy in reporting their VOCA Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable Federal standards, program standards and generally accepted accounting principles.
2. To determine the MDHHS share of costs and Community Healing Centers' match for the VOCA Program in accordance with applicable MDHHS requirements and agreements, applicable Federal standards and program standards as well as any balance due to or due from Community Healing Centers.

SCOPE AND METHODOLOGY

We examined Community Healing Centers' records and activities for the fiscal period October 1, 2015 to September 30, 2016. Our review procedures included the following:

- Reviewed the most recent Community Healing Centers Single Audit Report for any VOCA Program related concerns.
- Reviewed the most recent Crime Victim Services Commission (CVSC) site visit report.
- Reviewed the Grant Application, Budget, Program Assurances, Trial Balance and General Ledger.
- Reviewed policies to ensure they meet applicable requirements and guidelines.
- Reviewed the most recently completed Subrecipient Questionnaire and DOJ Financial Capability Questionnaire.
- Reconciled the Final VOCA Program Financial Status Report (FSR) and MDHHS payment schedule to the accounting records.
- Examined payroll records.
- Tested a sample of payroll and non-payroll expenditures for program compliance; and adherence to policies, Federal and program guidelines and approval procedures.
- Reviewed required match for program compliance.
- Reviewed financial records to ensure supplanting of Federal awards did not occur.

Our audit did not include a review of program content or quality of services provided.

CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

FINANCIAL REPORTING

Objective 1: To assess Community Healing Centers' effectiveness and accuracy in reporting their VOCA Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable Federal standards, program standards and generally accepted accounting principles.

Conclusion: Community Healing Centers generally reported their VOCA Program financial activity to MDHHS in accordance with applicable MDHHS requirements and agreements, applicable Federal standards, program standards and generally accepted accounting principles. However, we found an exception relating to the FSR not agreeing with accounting records (Finding 1).

Finding

1. FSR Not Supported by Accounting Records

Community Healing Centers had VOCA expenditures that were not recorded in the VOCA cost center, and the FSR did not agree with accounting records.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Requirements), 2 CFR 200, Part 302 (a) states that non-federal entity's "financial management systems...must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to federal statutes, regulations, and the terms and conditions of the federal award." Part 302 (b) states, "The financial management system of each non-Federal entity must provide for the following...(3) Records that identify adequately the source and application of funds...(4) Effective control over, and accountability for, all funds, property, and other assets." Similar language can be found in the 2015 Department of Justice (DOJ) Office of Justice Programs (OJP) Financial Guide in Part II, Section 2.3, which requires an adequate accounting system that includes "Financial reporting that is accurate, current, complete, and compliant..." and "Accounting systems should be able to account for award funds separately (no commingling of funds)."

FSR reported amounts did not agree with the related VOCA general ledger accounts. Even after considering various reconciling adjustments, we found the following discrepancies when attempting to reconcile the final FSR to the related VOCA general ledger accounts:

- Salaries and wages is higher on the FSR by \$341.
- Fringe Benefits is higher on the FSR by \$784.
- Travel is higher on the general ledger by \$534.
- Supplies & Materials is higher on the general ledger by \$920.
- Other Expenses is higher on the FSR by \$283.

While the FSR reported line item amounts did not agree with the VOCA general ledger, total VOCA expenditures included in the general ledger after reconciling adjustments exceed the total FSR reported amount so there is no impact on grant funding. The Statement of Grant Program Revenues and Expenditures list the specific adjustments that were made.

Without the accountability provided by financial reporting controls, such as maintaining support for adjustments and differences between the FSR and general ledger, the accuracy and completeness of FSR reporting is jeopardized. Also, accurate financial reporting and accurate and complete accounting records are requirements to comply with federal regulation.

Recommendation

We recommend Community Healing Centers adopt the appropriate steps to ensure the FSR completely reconciles with the general ledger and to ensure the FSR reflects actual expenses.

MDHHS SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine the MDHHS share of costs and Community Healing Centers' match for the VOCA Program in accordance with applicable MDHHS requirements and agreements, applicable Federal standards and program standards as well as any balance due to or due from Community Healing Centers.

Conclusion: The MDHHS obligation under the VOCA Program for fiscal year ended September 30, 2016, is \$157,432 and the Community Healing Centers required match is \$39,358. The attached Statement of Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit included adjustments, but none affected the VOCA Grant Program funding.

Community Healing Centers
VOCA - Crime Victims Assistance Program
Statement of Grant Program Revenues and Expenditures
10/1/15 - 9/30/16

	BUDGETED	REPORTED	AUDIT ADJUSTMENTS	ALLOWABLE
REVENUES:				
MDHHS Grant	\$228,000	\$157,432 ¹	\$0	\$157,432
Local Match	\$54,632	\$37,806	\$0	\$37,806
Volunteer - Match	\$2,368	\$1,552	\$0	\$1,552
TOTAL REVENUES	\$285,000	\$196,790	\$0	\$196,790
EXPENDITURES:				
Salary & Wages	\$178,237	\$142,398	(\$341) ²	\$142,057
Fringe Benefits	\$38,939	\$24,785	(\$784) ²	\$24,001
Volunteer	\$2,200	\$1,441	\$0	\$1,441
Volunteer Fringe benefits	\$168	\$110	\$0	\$110
Supplies & Materials	\$19,200	\$10,387	\$920 ²	\$11,307
Travel	\$21,716	\$1,607	\$534 ²	\$2,141
Other Expenses	\$24,540	\$16,062	(\$329) ³	\$15,733
TOTAL EXPENDITURES	\$285,000	\$196,790	\$0	\$196,790

¹ Actual MDHHS payments.

² Adjustments made to reflect VOCA cost center financial results.

³ Other Expenses was \$13,848 higher on the FSR than the corresponding VOCA cost center accounts, examination of a non-VOCA cost center revealed actual and allowable VOCA expenditures in the amount of \$13,565 but this adjustment was capped at \$13,519 because of the matching limitation of 20%.

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: **FSR Not Supported by Accounting Records**

Community Healing Centers had VOCA expenditures that were not recorded in the VOCA cost center, and the FSR did not agree with accounting records.

Recommendation: Adopt the appropriate steps to ensure the FSR completely reconciles with the general ledger and to ensure the FSR reflects actual expenses.

Comments: Community Healing Centers (CHC) allocates expenses by cost to the VOCA general ledger accounts. The timing of FSR completion and when costs are posted can cause some discrepancies. It is possible that costs were posted after the FSR was completed so the GL may not be exact to what was reported. We are reviewing how we are posting expenses to the GL to match the FSR that is submitted through the EGrAMS system.

Corrective Action: CHC staff will review all expenses associated with the VOCA grant, the GL accounts used and the timing of the FSR completion. The CFO and COO will review accounts used and the method of completing the expenditures report so they match our general ledger entries each month.

Anticipated

Completion Date: August 31, 2017

MDHHS Response: None.

Comments and Recommendations

1. Employee Funding Distribution Time Reports Not Properly Maintained

Community Healing Centers did not maintain Employee Funding Distribution Time Reports (EFDTRs) that accurately represent hours compensated. The 2015 DOJ OJP Financial Guide, Part III, Section 3.9, requires support of salaries and wages to "reflect the total activity for which the employee is compensated by the organization" and similar language can be found in the Crime Victim Assistance Grant Certified Assurances. The Crime Victim Assistance Grant Certified Assurances require the grantee to "maintain proper documentation for all paid grant staff reported by using the VOCA Employee Funding Distribution Time Report." Of the 25 EFDTRs selected for testing, 11 did not contain all the employee's compensated hours and 11 could not be located. Community Healing Centers had other internal time keeping records to verify the hours were worked and legitimize the costs charged to VOCA for the 11 missing EFDTRs, but those records did not contain all the information required in order to satisfy the timekeeping requirements. Good financial controls over the accuracy of reported costs include maintaining the proper employee time records to ensure payroll is properly reported and calculated. We recommend S.A.F.E. Place implement the proper controls and procedures to ensure employee time is accurate and properly represented to comply with Federal guidance and the Certified Assurances of the grant.

Management Response:

CHC uses an online payroll system that documents time in and time out for each day worked. The VOCA supervisor approves these reports in order to complete payroll. We do not print these online reports for signatures and we are under the impression that this system complies with the standard. According to MDHHS staff these funding reports must be used. Our staff has been in touch with VOCA grant staff to investigate this issue further. We will complete these reports in the future as it appears to be the standard.

MDHHS Response:

For time keeping purposes if EFDTR's are not used then the time records utilized must have all the attributes of the EFDTR's such as: pay period ending date, CVA project number, project period, source/program worked on, hours, signatures, etc.

2. Complete Supporting Documentation Not Maintained

Community Healing Centers did not maintain complete supporting documentation for 2 transactions out of the 16 selected for testing. The Uniform Requirements, 2 CFR 200, Part 403 states, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards... (g) Be adequately documented." The Crime Victim Assistance Grant Certified Assurances state, "proper documentation will be maintained to support charges to the VOCA Crime Victim Assistance grant." Although invoices could not be located for the transactions in question, the credit card bill contained an accurate description of the transactions to assist in verifying the charges were actual and allowable. Good financial controls to ensure allowable costs are charged to the grant include keeping supporting documentation for all charges made to the VOCA grant. We recommend Community Healing Centers implement the proper controls and procedures to ensure proper supporting documentation is kept for all charges to the VOCA Crime Victim Assistance grant to comply with Federal regulation and the Certified Assurances of the grant.

Management Response:

We believe our financial controls are strong and adequate to ensure proper use of funds. In this instance the expenses were on a CHC credit card but the invoices were not available. Our staff will continue to work hard at maintaining that all proper expenses have supporting documentation. This policy is in place currently.

MDHHS Response:

None.

3. Invoices Do Not Contain Proper Signatory Approval

Community Healing Centers did not ensure proper approval of all invoices paid. The Uniform Requirements, 2 CFR 200, Part 302 (b) states, "The financial management system of each non-Federal entity must provide for the following... (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation." Of the 16 transactions tested, Community Healing Centers had 3 invoices that did not have proper signatory approval. Good financial controls over expenditures include properly signed invoices to help ensure accuracy and proper control over federal funding and financial records. We recommend Community Healing Centers implement the necessary controls to ensure proper approval of all invoices to ensure compliance with Federal regulation.

Management Response:

We believe our financial controls are strong and adequate to ensure proper use of funds. CHC staff have reviewed our procedures for approving expenses and will assure that all expenses have signatory approval. This policy is in place currently.

MDHHS Response:

None.

4. Incorrect Annual Volunteer Hour Report

Community Healing Centers' annual volunteer hour report does not agree with the Volunteer Matching Distribution Time Reports. The DOJ OJP Financial Guide, Part II, Section 2.3, requires an adequate accounting system to support "financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements of the award or subaward." Of the three months tested two months were not listed on the annual volunteer hour report. Since the annual volunteer hour report does not reflect the actual total hours from the Volunteer Time Reports, the accuracy of financial reporting is jeopardized. However, Community Healing Centers still met the required match since the actual volunteer hours were greater than what was reported on the annual volunteer hour report and the FSR. Good financial controls over the accuracy of match reported for the VOCA grant include making sure volunteer hours are accurate. We recommend Community Healing Centers implement the proper controls and procedures to ensure volunteer hours are accurately calculated to comply with Federal guidance.

Management Response:

The volunteer reports are sometimes delayed by volunteers not turning them in on time. On some occasions the FSR is completed without reporting the volunteer hours of that current month, and then the next month the hours are reported on the FSR. The supervisor of the volunteer coordinator have met and discussed that time sheets must be turned in at the end of the month so the hours are used accurately. This policy is in place currently.

MDHHS Response:

None.

5. Lack of Documented Procurement Procedures

Community Healing Centers does not have documented Procurement Procedures as required by Federal regulation. The Uniform Requirements, 2 CFR 200, Part 318 requires documented procurement procedures, and the procedures must conform to the standards identified in Part 318. Minimally, the following should be addressed/considered in the written procurement procedures:

- Oversight to ensure contractors perform in accordance with contracts or purchase orders.
- Procedures to avoid the acquisition of unnecessary or duplicative items. Consideration should be given to the consolidation or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, purchase of Federal surplus property instead of new, entering into interagency agreements for use or procurement of commonly used goods or services, and any other appropriate analysis to determine the most economical approach.
- Award contracts on a basis other than cost alone such as integrity, record of past performance and resources available.
- Maintaining a history of procurement including the rationale for the procurement method, contractor selection, and basis for price.
- Procedures to ensure procurement transactions are conducted in a manner providing full and open competition.
- Ensuring all solicitations incorporate a clear and accurate description of specifications and all requirements, and what bids and proposals will be evaluated on.
- Micropurchases (aggregate dollar amount \$3,000 or less) may be awarded without competitive quotes as long as the price is reasonable.
- Small purchases (aggregate dollar amount \$3,001 to \$150,000) quotations must be obtained from an adequate number of qualified sources.
- Bidding and proposal procedures in compliance with Federal regulations.

We recommend Community Healing Centers establish documented procurement procedures to ensure proper procurement practices are followed and to comply with Federal regulation.

Management Response:

We do not completely agree with all aspects of this comment. In our Policy and Procedure Manual we have a fiscal section that describes our purchasing procedures in the "Cash Control" section. We will modify and expand that section of our manual to add more specific and current procurement procedures described in the comment. Specifically in this comment it says "Award contracts on a basis other than cost alone such as integrity, record of past performance

and resources available.” This is mentioned in our Leadership section in our manual. I have included a copy for your review. We also address some of this comment in our Conflict of Interest Policy in our manual. We are reviewing our procedures and will expand our procurement procedures to include the issues in this comment by the end of our fiscal year 9/30/17.

MDHHS Response:

When expanding the procurement procedures CHC should additionally pay attention to modifying the “Contractual Agreements” section to more closely resemble the verbiage found in the Uniform Requirement regarding awarding contracts on a basis other than cost alone. While the current verbiage “Factors other than the lowest price can be taken into consideration” is not entirely incorrect, it would be best to mirror what is found in the Uniform Requirements as much as possible.

6. Lack of Written Procedures for Determining Cost Allowability

Community Healing Centers does not have written procedures for determining cost allowability as required by Federal regulation. The Uniform Requirements, 2 CFR 200, Part 302 (b)(7) requires “Written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of this Part and the terms and conditions of the Federal award.” Good financial controls to ensure the allowability of costs charged to the VOCA grant include the establishment of sufficient cost allowability procedures. We recommend Community Healing Centers establish sufficient written procedures for determining cost allowability to ensure the allowability of cost is properly determined and to comply with Federal regulation.

Management Response:

We have general procedures for purchasing in our “Cash Control” section of our Policy and Procedure Manual, but we will modify and expand that section of our manual to add more specific and current procedures of allowability as described above. We anticipate this will be complete by the end of our fiscal year 9/30/17.

MDHHS Response:

None.

7. Lack of a Written Travel Policy

Community Healing Centers does not have a written travel policy as required by Federal regulation. The Uniform Requirements, 2 CFR 200, Part 474 (b) states, “Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and

otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy." Good financial controls over reporting travel expenses include the establishment of a written travel policy. We recommend Community Healing Centers establish a written travel reimbursement policy to ensure travel expenses are properly monitored and accounted for and to comply with Federal regulation.

Management Response:

We have a section on travel in our Policy and Procedure Manual, item 1.12; Travel is also in our Personnel Handbook. We will update the policy with current requirements and update our per diem rates to be current. We anticipate this will be completed by the end of the fiscal year 9/30/17.

MDHHS Response:

None.

8. Lack of Established Written Policy for Salary and Fringe Benefits

Community Healing Centers does not have a salary and fringe benefits policy. The Uniform Requirements, 2 CFR 200, Part 430 (a) states, "Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities." Similarly, Part 431 (a) states, "Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity." Good financial controls to ensure the allowability of costs include an established policy regarding salary and fringe benefits. We recommend Community Healing Centers establish a written policy regarding salary and fringe benefits to help ensure costs are accurately determined and to comply with Federal regulation.

Management Response:

We will add language to our "Fiscal Control" policies regarding salaries and fringe benefits. We anticipate this will be completed by the end of the fiscal year 9/30/17.

MDHHS Response:

None.

9. Lack of a Sufficient Written Conflict of Interest Policy

Community Healing Centers does not have a sufficient conflict of interest policy. The Uniform Requirements, 2 CFR 200, Part 318 (c)(1) states, "The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts." Good financial controls over procurement include a conflict of interest policy. We recommend Community Healing Centers establish a sufficient written conflict of interest policy to help prevent conflicts of interest in conducting agency activities and to comply with Federal regulation.

Management Response:

CHC does have a written conflict of interest policy. It is contained in the Policy and Procedure Manual in the leadership section. I have attached the policy for review.

MDHHS Response:

While CHC does currently have a conflicts of interest policy, it does not contain all the verbiage as outlined in the Uniform Requirements. Specifically the policy does not mention disciplinary actions for any violations of the policy and does not contain a definition, as defined in 2 CFR 200 Part 318 (c)(1), of what a conflict of interest is. The comment has been changed to "Lack of a Sufficient Written Conflict of Interest Policy" to notate the fact that CHC does have a policy but it does not meet all of the requirements of 2 CFR 200.318 (c)(1).